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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 001470

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TAGS: [ECPS](#) [TSPL](#) [PGOV](#) [SCUL](#) [ECON](#) [BM](#)  
SUBJECT: BURMA STRIVES TO BECOME A (CENSORED) HI-TECH HUB

REF: A. BANGKOK 1595  
[1](#)B. 03 RANGOON 1000

Classified By: CDA a.i. Ron McMullen for Reasons 1.4 (B,D)

[1](#)1. (C) Summary: Burma's generals are pushing to develop an IT and software sector well beyond the country's needs and abilities. Though a side effect of this effort has been improved communications and expanded access of some Burmese to the Internet, too many basic problems remain for this campaign to result in the success envisioned by the SPDC. We view the push for an IT sector as nothing more than a prestige project undertaken, with encouragement and support by Burma's Asian neighbors, at the expense of other more rational economic development priorities. End summary.

#### Burma's Long History of IT

[1](#)2. (U) Though Burma is a true technological backwater, it has a tradition of computer science that stretches back to 1970 when the United Nations funded the Rangoon University Computer Center Project. Burma's first IT development law, which formed the Computer Science Development Council (CSDC) chaired by the recently ousted Prime Minister General Khin Nyunt, was implemented in 1996. In 1998, the Myanmar Computer Federation (MCF) and its four sub-groups were formed by the GOB to carry out the development directives formulated by the CSDC. In 2000, the CSDC and MCF "agreed" on a six-part "Master Plan," which is ongoing.

[1](#)3. (SBU) Since 2000, the IT sector has benefited from generous overseas assistance and full-fledged SPDC support (though this may waver somewhat with the demise of the original IT champion Khin Nyunt). Khin Nyunt's son Ye Naing Win formed Bagan Cybertech, the country's first data communication firm and only "private" sector ISP, in 2000. Ye Naing Win was removed from his position when his father went down in October and the military took over Bagan Cybertech, which continues to operate the country's only Internet Data Centers and teleports, located in Rangoon and Mandalay, and has the contract with Thai-based iPSTAR to offer satellite voice and data communications throughout the country. We've heard rumors that with the removal of Ye Naing Win, children and close cronies of SPDC Senior General Than Shwe may soon get into the IT services business.

#### The Infrastructure Expands

[1](#)4. (SBU) In contrast to many other GOB "master plans," the IT plan is in part being implemented. Bagan Cybertech and state-owned Myanmar Post and Telecommunications (MPT) are building the country's Internet "backbone," linking Rangoon and Mandalay with fiber in 2003 and now working to link Rangoon and various provincial capitals as well. The country is also linked to an international submarine cable, which is in turn linked by fiber to Rangoon. The "last mile" infrastructure is also improving, with Bagan Cybertech now offering Broadband Wireless Local Loop and ADSL connections to the very tiny minority who can afford it. These broadband services cost around 500,000 kyat (about \$525 at market rates) for set up and from 30,000 to 120,000 kyat (\$32 to \$126) per month depending on bandwidth usage. Bagan Cybertech also offers regular dial-up email and Internet services to anyone for between 8,000 kyat and 28,000 kyat (\$8.40 and \$30) per month. For reference, the break-even income point for a family of five is roughly 35,000 kyat (\$37 at market rates) per month.

[1](#)5. (SBU) Computer industry officials admit that this new "last mile" infrastructure often looks better on paper than in reality. All of Burma's local telephone connections from exchanges to homes are made of ancient copper wiring which often makes it impossible to take full advantage of ADSL. However, one official claimed, MPT has linked exchanges with fiber, and would start linking the exchanges to homes "in time."

[1](#)6. (SBU) To circumvent these "last mile" problems, as well as the lack of any telephony infrastructure in most of the country, Bagan Cybertech and Thailand's Shin Satellite signed

a \$13 million contract in 2002 to provide wireless voice and data broadband communication services countrywide (ref A). Shin Satellite's iPSTAR system is being marketed through Bagan Cybertech, which charges users from 3 million to 4.9 million kyat (\$3,150 to \$5,160 depending on antenna size) in set-up and activation fees, then 60,000 kyat (\$63) per year, and from 30,000 kyat to 400,000 kyat (\$32 to \$420) per month depending on bandwidth usage, and the number of email and voice channels (all monitored by the GOB) required. Though this is an outlandish sum by local standards, in remote towns populated by some wealthy individuals (such as near the Thai and Chinese borders or in mining regions) "public" iPSTAR phone and Internet outlets are a rather common site -- though international calls via iPSTAR phones are blocked. A Bagan Cybertech official said there were around 1,000 iPSTAR customers with many multiples of that using the services.

17. (SBU) Such rapid expansion of the IT infrastructure in Burma is due in large part to the largesse of its neighbors. According to one computer industry official, the governments of China, India, Korea, and Thailand have given the most assistance with China providing \$200 million in grants and concessional loans while Korea and India have forked over about \$10 million each. The source said that Japanese investors regularly come to Burma seeking investment opportunities in the sector as well (though few if any have sunk any money).

#### Challenging India?

18. (SBU) Another part of Burma's IT plan is to develop IT education and software development sectors to compete with India's. This is clearly pie in the sky at the moment considering Burma's gutted education system and a chronic lack of resources from foreign or domestic investors -- due to Burma's abysmal investment and political climate. Nonetheless, the GOB has spent significant resources, augmented by aid from a number of Asian countries and educational exchanges with Japan and Korea, to establish 27 IT training schools and colleges across the country. The GOB has set the arbitrary goal of graduating 5,000 IT professionals per year by 2006. Likewise, private sector computer training programs are booming as the decrepit economy forces educated people to upgrade their skills for a chance at a job.

19. (C) Computer industry sources mock the GOB's dream as typical of the SPDC's cart-before-horse mentality. The GOB's IT education programs are shells, erected haphazardly by the GOB to "fulfill" its objectives, which churn out ill-qualified engineers and software developers with no practical experience. However, the few engineers trained overseas in Japan return well-qualified to work for Bagan Cybertech or at private software firms. Efforts to create an instant software sector are also stymied by poor quality standards (Burma has no ISO or CMMI certified firms) and blatant disregard and/or ignorance of IPR standards. A top MCF official told us openly that few software firms in Burma use licensed software because of expense and poor understanding of the importance of protecting intellectual property.

110. (SBU) Nonetheless, there are some minor success stories. A tiny handful of local firms have received small contracts or sub-contracts (worth no more than \$3,000) to work on software programs for developers in India, Thailand, Japan, and Malaysia. One software developer claimed as well that one or two Burmese firms could meet international quality assurance standards, though they lack the funds to go through the certification process.

#### The Picture is Not So Bright

11. (C) Despite some progress, particularly on Internet infrastructure and access, there are many structural and policy barriers that make a mockery to some degree of Burma's IT "revolution." First is a sore lack of investment. Bagan Cybertech and other members of the MCF constructed in 2002 the Myanmar Information Communications Technology (MICT) park in Rangoon. MICT park, which now has a branch in Mandalay, is heralded in the local media as Burma's IT "hub," the center of innovation and a magnet for domestic and international IT investment. However, it has not worked out that way. According to one senior MCF official MICT park is "being hollowed out" with four of five opening day foreign investors in 2002 already gone. The park has also lost 20 percent of its initial domestic occupants. With the recent changes in leadership, we will see if MICT park (identified with Khin Nyunt and MI) survives or is squeezed out by a new competitor.

112. (SBU) The lack of investment is due to the GOB's un-friendly economic policies and the complete destruction of local industries that would consume domestically produced IT products. The software sector here initially got a boost in the late 1990s with the expansion of the private banking and

export-oriented garment sectors. With both of these sectors now defunct due to GOB policies and U.S. economic sanctions, the domestic market for software has dropped to nearly zero.

13. (SBU) Another structural problem is the widespread lack of electricity, particularly outside Rangoon. Irregular electricity supply makes it difficult to make any real progress in expanding access to computers and the Internet outside Rangoon. We visited a gleaming new "E-Library" in a suburb of Rangoon to find several computers at the ready, but useless for lack of juice. Despite this obvious hole, providing additional electricity is nowhere to be found in the IT master plan.

14. (SBU) Ongoing government censorship of the Internet and email monitoring also contradict the GOB's alleged desire to educate the masses about IT and the Internet. A Science and Technology Ministry official told us that the people would be given access to the Internet only after they'd learned to use it "responsibly." The government blocks many Internet sites, including anti-SPDC sites as well as free mail sites like Yahoo! and Hotmail. We've learned, however, from trusted industry sources that Bagan Cybertech (and thus the GOB) has loosened noticeably its screening of emails and scrutinizing of applications for Internet access. In the former case, a huge increase in email volume has made it impossible for authorities to do much beyond screen for seditious words. In the latter case, Bagan Cybertech is now offering pre-paid Internet cards for sale with no registration necessary, and Internet cafes (official and otherwise) are popping up all over town. A Bagan Cybertech official said there are 30,000 subscribers to the company's various services. However, another industry source said that for each corporate subscription there were at least 10 users while for every private subscription there were at least three or four users.

Comment: Does it Make Sense?

15. (C) There have been positive steps in recent years toward more liberalized, though expensive and still censored, access to the Internet -- particularly in Rangoon. However, it is difficult to justify the GOB's spending of vast sums on developing a "modern" IT sector in a country whose government practices censorship and is suspicious of its own peoples' contact with the outside world and that is so backward economically. The IT campaign is primarily for prestige and the GOB has done nothing to develop other more rational industries. It has in fact allowed some of Burma's most promising private sectors (banking, garments, agriculture) to languish or die. It is unfortunate that Burma's neighbors "enable" Burma's ruling generals' grandiose vision instead of urging them to be more pragmatic in their economic and political development efforts. End comment.  
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